

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market-Dominant
Price Adjustment

Docket No. R2012-3

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued November 2, 2011)

To clarify elements of its Notice of Market Dominant Price Adjustment, filed October 18, 2011, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than November 9, 2011.

PERIODICALS

1. In the Preface to Library Reference USPS-LR-R2012-3/3, the Postal Service states the following: “[t]he calculations assume no migration to the new Mixed Area Distribution Center (MADC) pallet price. Although the Postal Service recognizes that pricing relationships can move mail volumes to more (or less) efficient preparation, no data are available at this point to quantify the impact of the new offering. In any event, net revenue leakage would have lowered the overall percentage change, so assuming no migration is a conservative approach with respect to not exceeding the price cap.”

Rule § 3010.23(d) states “[t]he Postal Service shall make reasonable adjustments to the billing determinants to account for the effects of classification changes such as the introduction, deletion, or redefinition of rate cells.”

- a. Please confirm that the Postal Service anticipates usage of this price offering after its introduction.
- b. Please provide Periodicals Billing Determinants that include an estimate of usage in line with the guidance of rule § 3010.23(d).
- c. Has the Postal Service developed a bottom-up cost estimate for origin-entered mixed ADC pallets? If so, please provide the cost estimate and the workpapers used to develop the cost estimate.
- d. Please provide the “Price as Percent of Cost” for origin-entered mixed ADC pallets.
- e. Please confirm that the proposed price for origin-entered mixed ADC pallets is \$3.365, and the proposed price for origin-entered ADC pallets is \$33.375.
 - i. Will mailers who enter ADC pallets be eligible for the mixed ADC pallet price?
 - ii. What changes in the makeup of a mailing will be required for mailers to shift from ADC pallets to mixed ADC pallets?
- f. The Mail Classification Schedule language contained in Attachment A of the Postal Service’s Notice contains the proposed bundle prices for Periodicals Outside County at page 48.
 - i. Please confirm that there is no price for Carrier Route bundles entered in Mixed ADC containers.
 - ii. Will mailers be allowed to include Carrier Route bundles in mixed ADC pallets? If so, please provide the price that will be charged for Carrier Route bundles contained in mixed ADC pallets.

FIRST-CLASS

2. Please confirm that reducing the discount for First-Class AADC Automation Letters would impede the efficient operations of the Postal Service.
3. The Postal Service has decreased the 5-digit Automation Letter discount. In support, the Postal Service states that it is retaining the 10 cent differential between the First-Class single-piece rate and the 5-digit Automation Letter rate.¹
 - a. Please explain the significance of the 10 cent differential between the price for 5-digit Automation Letters compared with single-piece letters, especially given that the corresponding differential were 9.6 cents and 10.5 cents in Docket Nos. R2008-1 and R2009-2, respectively.
 - b. Please explain how reducing the current discount provides an efficient price signal that incentivizes the least costly sorter to sort mail to the 5-digit level rather than the 3-digit level.

STANDARD

4. Among the Mail Classification Schedule changes are: Adding Package Intercept service as an optional feature for First-Class Mail, Standard Mail, and Package Services. Notice at 50. Package Intercept service has not been added as an optional feature to any Standard Mail product in Attachment A. Please update Attachment A to reflect this optional feature.

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, October 18, 2011, at 36 (Notice).

SPECIAL SERVICES

5. Please refer to Library Reference USPS-LR-5.
 - a. Several worksheets include “ACY Licensing rates.” See, e.g., the worksheets “City State” and “Delivery Statistics. Please answer the following:
 - i. What is ACY licensing?
 - ii. Where is ACY licensing identified in the Mail Classification Schedule?
 - b. Please explain why the proposed annual rate used in the worksheet titled “P.O. Box” for Reserve Numbers is \$84.00 when the proposed Mail Classification Schedule language indicates that the proposed annual rate for a Call Number Reservation is \$42.00. If the rates used in the worksheet are incorrect, please provide a revised worksheet.
6. The following questions refer to the worksheet titled “Change Calc.” in Library Reference USPS-LR-5.
 - a. Please refer to the “Z4 (ZIP 4) Change” worksheet and explain why the totals for the current (\$25,500.00) and the proposed (\$26,322.58) revenues are not used in the Postal Service’s worksheet titled “Change Calc.”
 - b. Please refer to the “ZIP Move” worksheet and explain why the totals for the current (\$7,134.82) and the proposed (\$7,474.78) revenues are not used in the Postal Service’s worksheet titled “Change Calc.”

- c. Please refer to the “DMM (Domestic Mail Manual) Labeling List” worksheet and explain why the totals for the current (\$6,690.00) and the proposed (\$6,690.00) revenues are not used in the Postal Service’s worksheet “Change Calc.”
- d. If errors have occurred in the “Change Calc” worksheet, please provide an updated worksheet.

By the Chairman.

Ruth Y. Goldway